10 November 2016

January-September 2016 Results

9M 16 PERFORMANCE SUPPORTS NEW UPWARD ADJUSTMENT OF VOLUME AND PROFITABILITY COMMITMENTS

THE EXTRAORDINARY SHAREHOLDERS MEETING APPROVES THE MERGER AGREEMENT WITH SIEMENS WIND POWER.

After the first semester's strong commercial performance and profitable growth trends were sustained through the third quarter, Gamesa Corporación Tecnológica[1] reached the first nine months of 2016 with record orders, sales and profitability. This performance in excess of projections made at the beginning of the year and in July supports a new upgrade of the 2016 guidance for volume (≥ 4.300 MWe) and operating profit (underlying EBIT range of €450mn-€470mn).

Strong commercial activity arising from a growth-oriented competitive position resulted in record order intake in a third quarter:1,090 MW[2], 8% more than in the same period of 2015, which raised order intake in the last twelve months to 4,343 MW. Total order intake in the first nine months was 3,301 MW and the order book stood at 3,242 MW at the end of September, reaching 100% coverage[3] of the new guidance for volume in 2016 (≥4,300 MWe).

Financial performance in the nine months was also strong, with revenues up 32% year-on-year to €3,339 million. Underlying EBIT amounted to €340 million[4] in the period, i.e. 65% year-on-year growth, and the EBIT margin was 10.2%, 2 percentage points more than in the same period of 2015. Underlying net profit[4] pre-Adwen increased by 84% in 9M 2016 to €225 million. Consolidating Adwen had a negative impact of €18 million on net profit; including this, net profit would have amounted to €206 million.

This growth in profitability combined with focused investment in working capital, which was reduced by 31% y/y to 5.9% of revenues[5], and in capex, which rose €57 million year-on-year, enabled Gamesa to achieve a 23% ROCE and maintain its commitment to a sound balance sheet, having ended September 2016 with a net cash position of €167 million.

Gamesa is advancing with its agreement to merge with Siemens Wind Power having reached the shareholders approval in the Extraordinary Shareholders' General Meeting held on October 25th.

Main consolidated figures for 9M 2016:

- **Revenues:** €3,339 million (+31.8% y/y)
- **Underlying EBIT pre-Adwen[4]**: €340 million (+64.9% y/y)
- **Underlying net profit pre-Adwen[4]:** €225 million (+83.6% y/y)

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[1] Gamesa Corporación Tecnológica engages in wind turbine manufacture, which includes the development, construction and sale of wind farms, as well as O&M services.

[2] Firm orders and confirmation of framework agreements for delivery in the current and subsequent years, including 498 MW signed in Q3 16 and announced in Q4 16

[3] Coverage based on total order intake through 30 September 2016 for activity in 2016 (≥4,300 MWe in November 2016)

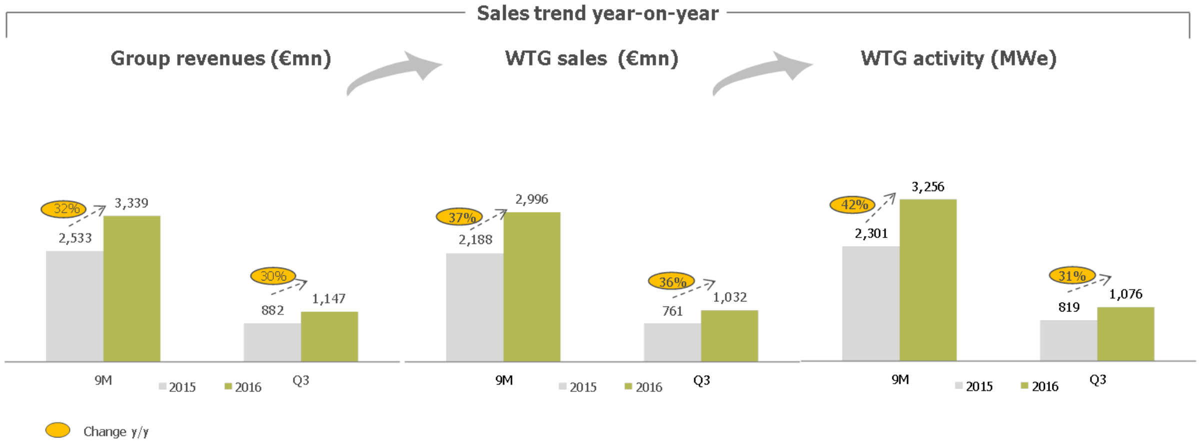
[4] In the first 9 months of 2016, underlying net profit pre-Adwen excludes items amounting to -€18 million relating to Adwen (equity method). EBIT and underlying net profit pre-Adwen in the first 9 months of 2015 are expressed net of items amounting to €29 million and €4 million, respectively. Year-on-year variations are calculated excluding those items in both years.

[5] Ratio of working capital to revenues in the last twelve months.

- **NFD (Cash)**[6]**:** -€167 million
- **MWe sold:** 3,256 MWe (+41.5% y/y)
- **Firm order intake:** 3,301 MW (+16.2% vs. 9M 2015)

Gamesa Corporación Tecnológica ended the first 9 months of 2016 with €3,339 million in revenues, 32% more than in the same period of 2015, due to strong growth in wind turbine manufacturing and sales. At constant exchange rates, revenues increased by 39% y/y to €3,525 million.

Revenues in the Wind Turbine Generator (WTG) division increased by 37% y/y, to €2,996 million, due to growth in activity volume to 3,256 MWe in the first 9 months, 42% more than in the same period of 2015. That growth was distributed over practically all regions: Europe/RoW, Latin America, the US and India. APAC (including China) was the only region that did not achieve double-digit growth in the first half, but it is expected to recover in the second half reaching a stable sales level y/y in the full year.



Revenues from O&M services amounted to €343 million, flat y/y and slightly higher at constant exchange rates, in line with the expected evolution for the full year 2016. During the third quarter the recovery trend in the fleet under maintenance, including the post-warranty fleet, that started in the first half of 2016 consolidates: fleet under maintenance grows 9.4% vs. December and 11.4% y/y to reach 22,954 MW while the post-warranty fleet grows 5.5% vs. December and 6.1% y/y to reach 16,099 MW. This trend is supported by growth in the fleet in emerging markets, in line with the projections of the business plan 15-17E.

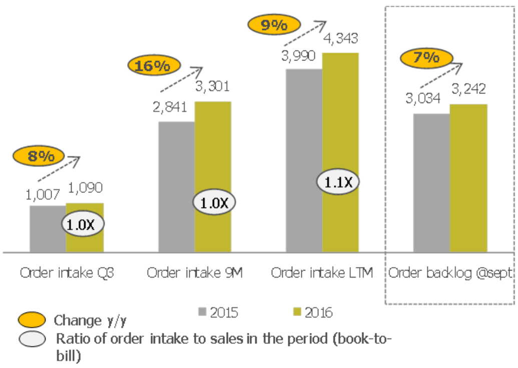
Growth in sales volume in the period and the further improved outlook for 2016 are the result of the company's strong competitive positioning in markets with current and projected above-average growth rates, and of a positive general demand environment. Gamesa's strong competitive position is supported not only by a diversified geographic footprint (55 countries) but also by an extensive customer base, a portfolio of products and services focused on maximising the return on wind assets, and a presence throughout the wind value chain.

As a result of that positioning, the company signed **1,090 MW**[7] **of orders in the third quarter, 8% more than in the same period of 2015,** which raised **total order intake to 3.301 MW in the first 9 months of 2016 and to 4.3 GW in the last twelve months,** i.e. exceeding the 4 GW projected for 2016 and equivalent to **a book-to-bill ratio of** [8]**1.10. The order book at end-September 2016 stood**

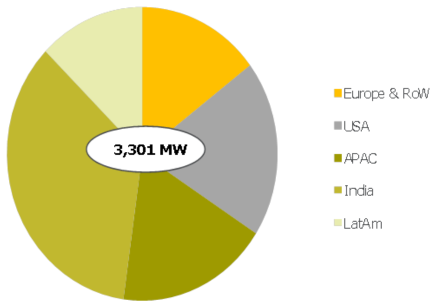
[6] Net financial debt means interest-bearing debt, including subsidised loans, derivatives and other current financial liabilities, less other current financial assets and cash.
[7] Firm orders and confirmation of framework agreements for delivery in the current and subsequent years. Includes firm orders signed in Q3 2016 (498 MW) that were published individually in Q4 2016.
[8] Book-to-bill ratio (MWe) in the last twelve months.

at 3,242 MW, i.e. 7% more than at 30 September 2015, **reaching 100% coverage**[9] **of the minimum volume guided for the full year (≥ 4,300 MWe)**.

Strong commercial performance (MW)[1]



Geographical diversification of order intake in M9 16 (%)[1]

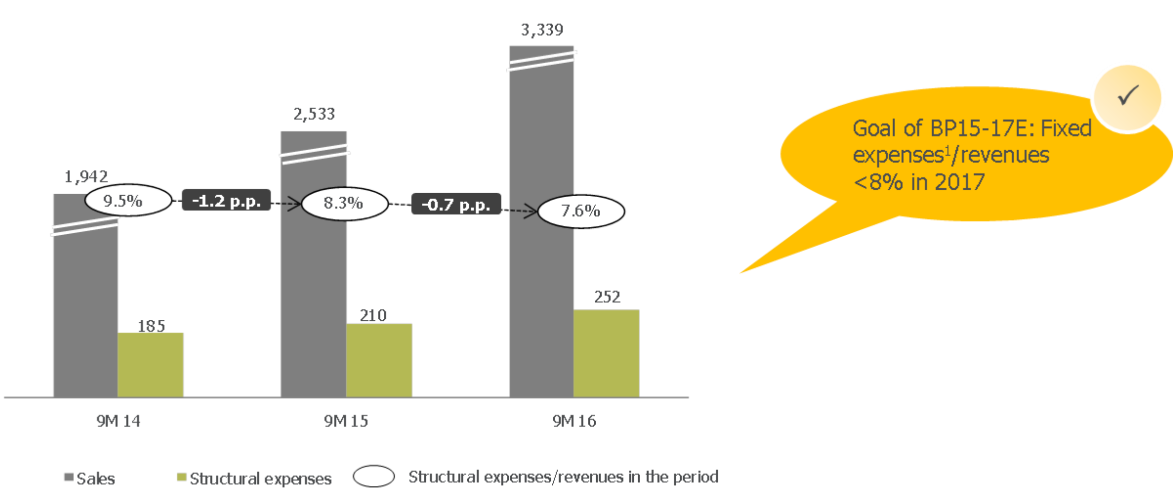


1. Firm orders and confirmation of framework agreements for delivery in the current and subsequent years, including 498 MW signed in Q3 16 and announced in Q4 16.

Order intake in the period included a strong contribution from new generations of products: the G114 2.0-2.5 MW, whose contribution rose from 47% of order intake in the first 9 months of 2015 to 59% in the same period of 2016. Also, in geographical terms, Gamesa retains its leading position in developing markets while strengthening its presence in mature markets. India, APAC and the US are the countries where order intake increased the most.

In this context of growing activity, Gamesa remained focused on controlling structural costs so as to maintain a low break-even point. As a result, at the end of September 2016, structural expenses[10] amounted to 7.6% of revenues, i.e. within the objective for 2017 set in the business plan 2015-2017E.

Trend in revenues and structural expenses[1] (€mn)

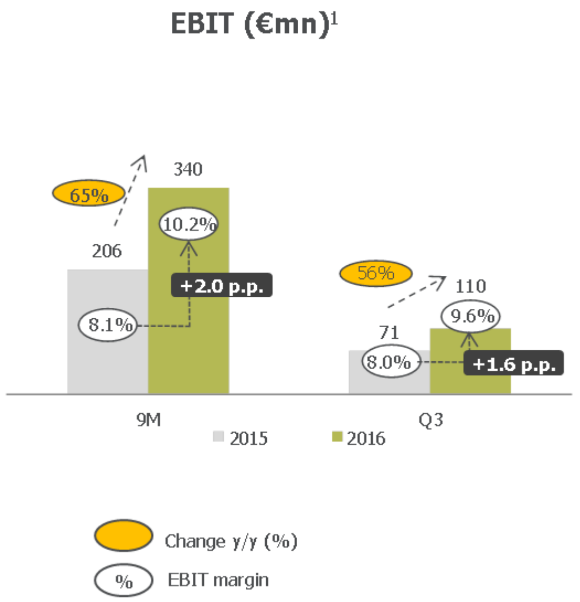


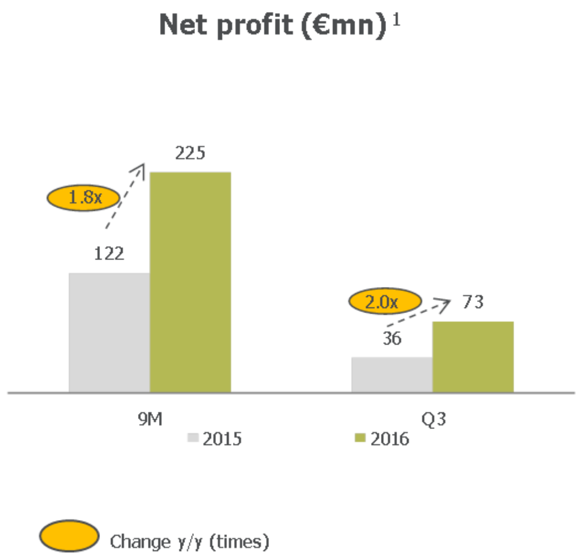
1. Structural expenses with a cash impact (excluding D&A)

[9] Coverage calculated as orders received for activity in 2016 with to the activity guidance for 2016 (November ≥ 4,300 MWe)

[10] Fixed expenses with a cash impact, excluding depreciation and amortisation.

Control of fixed costs, together with ongoing optimisation of variable costs and quality excellence programmes, enabled Gamesa to offset a lower relative contribution to group revenues from O&M (with profitability in excess of the manufacturing business) and steadily increase total operating profitability. Meanwhile, performance by the currencies in which Gamesa operates had a negative exchange rate impact of 0.2 percentage points, in line with the 2016E guidance (± 0.5% p.p.). **As a result, Gamesa ended the first 9 months of 2016 with an underlying EBIT margin of 10.2%**, two percentage points higher (+2 p.p.) than in the same period of 2015[11], while **underlying EBIT amounted to €340 million, 65% more than in the same period of 2015.**





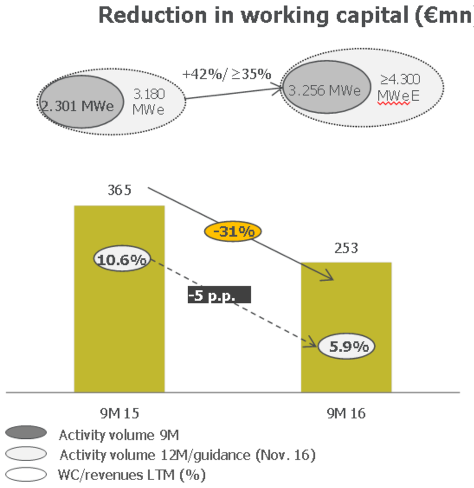
1. Underlying EBIT pre-Adwen excluding €29mn in capital gains from creating Adwen in 9M 15 (no difference with respect to reported EBIT in 9M 16). Underlying net profit pre-Adwen excluding impact of consolidating Adwen (-€18mn) in 9M 16 and the impact of capital gains and of consolidating Adwen in 9M 15 (€4mn in total).

As a result of firming growth in volume and revenues and of rising business profitability, **Gamesa doubled underlying net profit (pre-Adwen) for the period to €225 million[12] in the first 9 months of 2016.**

Adwen (equity method) had a negative impact of €18mn in the first 9 months, taking reported net profit to €206 million, i.e. 63% more than in 9M 2015, when net profit included the positive impact of €29 million in gross capital gains on the creation of Adwen (€21 million net of taxes) and a negative impact of €17 million from consolidating Adwen.

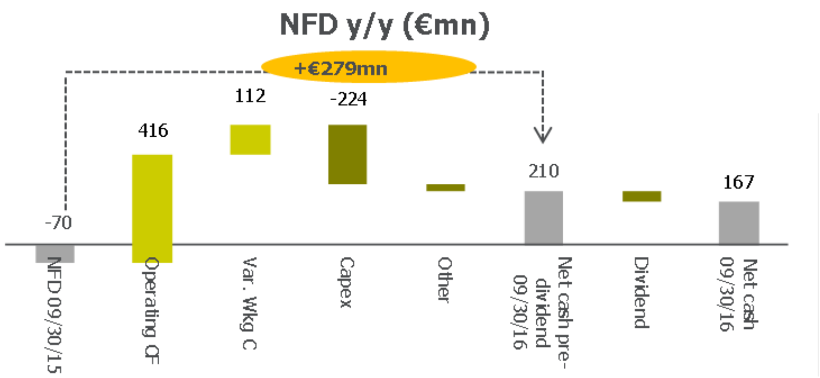
In this environment of strong growth in activity and profitability, **Gamesa continues to exert strict control over working capital, which stood at €253 million** in September 2016, **equivalent to 5.9% of revenues, 5 percentage points lower than in the same period of 2015.** Average working capital has been reduced by €140 million in the last twelve months, to 3.2% of revenues, vs. 8% in September 2015.

[11] EBIT and EBIT margin in 2015 excluding non-recurring impact of capital gains from the creation of the Adwen joint venture, which amounted to €29 million in 1Q15 (no impact in the remainder of 2015).
[12] Underlying net profit pre-Adwen, excluding a €18 million negative impact of Adwen in 9M 2016. Impact of Adwen on net profit in 9M 2015: +€4 million



Applying a modular capex policy tailored to growth needs**, Gamesa invested €148 million** in 9M 2016, i.e. 5.2%[13] of LTM revenues, temporarily above the guidance for the year (4%-5% of revenues) to which it will revert for the full year 2016. Investments in the first half were focused on new products (blade moulds and construction elements, plus appropriate logistics) in the regions in which Gamesa operates.

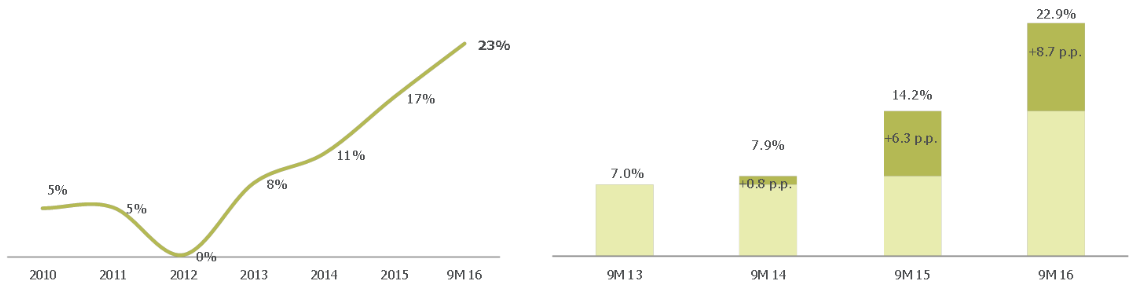
This control of capex and working capital in a context of profitable growth enabled **Gamesa to end the first 9 months of 2016 with a net cash position of €167 million on the balance sheet,** up from €70 million net debt position at 30 september 2015, **in line with the goal of achieving sound finances.** This net cash position represents €279 million of net free cash flow generation pre-dividend payment in the last twelve months.



The combination of profitable growth and control of capex and working capital enables Gamesa to continue fulfilling its commitment to creating shareholder value, with a **ROCE of 23%**, nine points more than in the first 9 months of 2015.

[13] Capex LTM / LTM revenues

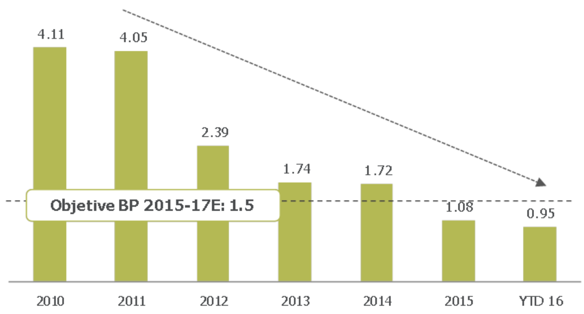
ROCE[1]



1. ROCE: LTM EBIT*(1-t)/average capital employed. Average capital employed is calculated as the arithmetic mean of capital employed between the beginning of the current year and the end of the period. "t" is the estimated income tax rate for the current year (27% in 2016).

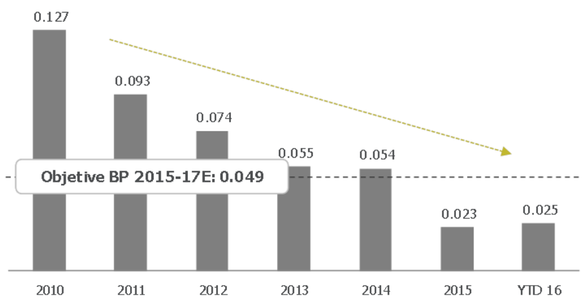
In the context of fulfilling its targets and steadily improving performance, Gamesa also met its goals in the area of workplace health and safety, continuing to improve accident frequency and severity indices ahead of the goals set for the end of the business plan.

Accident frequency index[1]



[1] Frequency index: No. of accidents with days lost * 10^6/No. of hours worked

Accident severity index[2]



[2] Severity index: No. of days lost * 10^3/No. of hours worked

In addition to moving toward its goals for the year, **in the first 9 months Gamesa made progress with implementing its long-term (2017+) strategy by reaching an agreement to merge with Siemens Wind Power**. This merger is underpinned by a sound strategic rationale and will combine **two companies that are highly complementary** in terms of markets, businesses, customers, product portfolios and operational and management capabilities. The merged company will be in a position to offer optimal CoE to its customers and to maintain a value creation proposition for its other stakeholders (shareholders, employees, suppliers and the communities where it operates) that is sustainable over the medium and long term. Following the presentation of the agreement to the financial markets during the second quarter of 2016, **Gamesa shareholders approved the deal during the Extraordinary Shareholders Meeting held on October 25th with 99.75% of the present and represented capital in favour.**

Main factors

Activity

During the first nine months of 2016, Gamesa sold 3.256 MWe, 42% more than in the same period of 2015. This growth was driven mainly by India, Latin America, Europe & RoW, and the US; the principal customer categories were electric utilities (40% of the total) and IPPs (49%).

	9M 2015	9M 2016	Chg.
WTG sold (MWe)	2,301	3,256	41.5%

Geographical breakdown of wind turbine sales (MWe) (%)	9M 2015	9M 2016
USA	11%	12%
APAC	15%	8%
India	28%	34%
Latin America	25%	27%
Europe and RoW	21%	20%
TOTAL	**100%**	**100%**

Activity in the first 9 months of 2016 was concentrated in the Gamesa 2.0 MW segment, which represented 97% of total MW sold, vs. 98% in the same period last year. The Gamesa G114 2.0 MW -2.5 MW platform accounted for 52% of activity in the period, compared with 22% in 2015, evidencing the new platforms' growing importance. The Gamesa 5.0 MW platform accounted for 2% of MWe sold in the period.

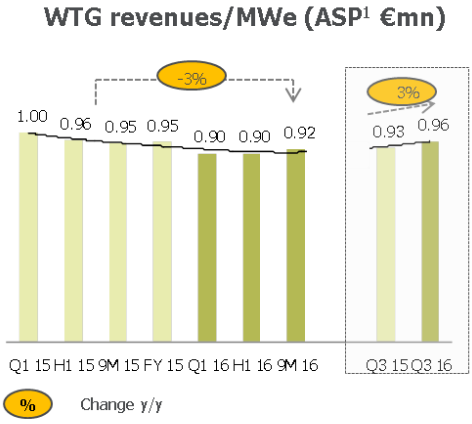
In the services division, Gamesa had 22,954 MW under operation and maintenance, i.e. 9% more than at the end of 2015. Growth in the fleet under maintenance came mainly from emerging markets India and Brazil, which offset a decline in mature markets. The average post-warranty fleet under maintenance grew slightly year-on-year to reach 16 GW.

	9M 2015	9M 2016	Chg.
MW under operation and maintenance at end of period	20,602	22,954	11.4%

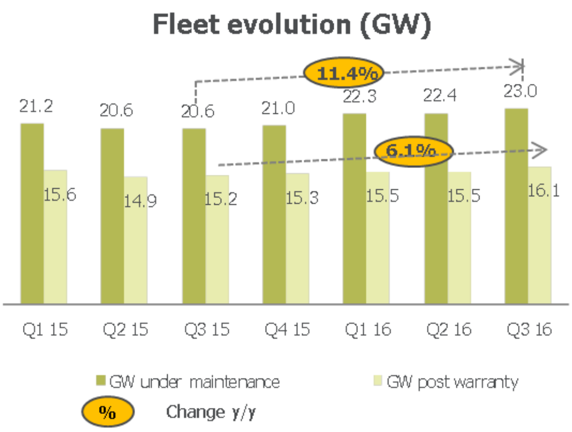
Profit & Loss

Revenues amounted to €3.339 million in the period, 32% more than in the same period of 2015.

This increase was due mainly to sales in the WTG division, which grew by 37% y/y thanks to a 42% increase in activity volume with respect to the first 9 months of 2015. Strong growth in volume, and sales of new products with larger rotors and higher towers, offset the negative impact of the lower volume of assembly per unit sold (2,346 MW assembled, vs. 3,256 sold in the first 9 months of 2016, compared with 2,221 MW assembled out of 2,301 MWe sold in 2015) and the exchange rate. Assembly activity started to recover in the third quarter of the year, with 1,163 MW assembled vs. 1,076 MWe sold, and will continue to do so in the fourth quarter of 2016 with a positive impact on revenues per MWe sold. It is important to note that the trend in WTG revenues per MWe sold is impacted by many elements, among them, the project scope, rotor size, tower height, activity scope, FX… and therefore it is not indicative of profits or profit trends.



Service revenues for the first 9 month of 2016 remained stable year-on-year, in line with expectations for the full year. Third quarter revenues, down 5.5% y/y, were impacted by exchange rate , the accrual of value added services and price pressure and scope reduction in mature markets. To offset the negative impact of these trends Gamesa has in place a service strategy that allows the company to deliver growth in absolute profitability levels even in an environment of declining sales, as it was the case in the third quarter. This strategy rests in three pillars: cost reduction programmes, marketing of value added services in mature markets and signing longer term contracts in emerging markets. Beyond 2016 growth in the fleet under maintenance, including post warranty fleet, improvement in the renewal rate and growth in the service order book ensures a return to top line growth in services. Fleet under maintenance grew 11% y/y to 22,954 MW while the post-warranty fleet grew 6% y/y to 16,099 MW. Fleet growth concentrated mainly in emerging markets. The service order book grew 15% y/y to reach €2,313 million.



Group revenues at constant exchange rates for 9M 2016 would had amounted to €3,525 million, i.e. 39% more than in the first 9 months of 2015.

In addition to attaining record revenues and commercial activity in the period, Gamesa's underlying EBIT reached a record €340 million. The EBIT margin was 10.2%, 2 points more than in the first 9 months of 2015. EBIT performance is attributable to:

- the volume effect (+2.7p.p.)
- contribution margin performance (+0.7 p.p.)
- fixed cost performance (-1.1 p.p.),
- currency performance (-0.2 p.p.)

The improvement in the contribution margin in 9M 2016 is linked to variable cost optimisation programmes and favourable project scope, offsetting the adverse impact of exchange rates and of higher fixed expenses (including depreciation and amortisation) required to grow and in line with the increase in capex, and the lower contribution by O&M to total revenues (10% in 9M 2016, vs. 14% in 9M 2015).

Net financial expenses in the period amounted to €20 million (€4 million less than net financial expenses in 9M 2015), while exchange losses amounted to €10.8 million (€8 million losses in 9M 2015) due to currency volatility. In the first 9 months, financial expenses include a negative impact of €3.6 million resulting from the valuation of Areva's exercise of the put option on Adwen in the context of the merger with Siemens.

The tax expense amounted to €85.4 million, equivalent to a marginal rate of 27%, in line with 2015 and within the guidance range for the year (25%±3%).

As a result, **underlying consolidated net profit before Adwen totalled €225 million (€122 million in 9M 2015).**

The **impact of integrating Adwen** by the equity method **amounted to -€18 million (no effect on cash flow), and reported net profit after including Adwen amounted to €206 million,** 63% more than reported net profit in 9M 2015.

Balance sheet

As reflected by the main balance sheet indicators, **Gamesa maintained its commitment to a sound financial position in a context of rising activity, reducing working capital by €112 million y/y to €253 million at the end of september, and achieving a net cash position of €167 million.**

	9M 2015	9M 2016
Working capital/Revenues	10.6%	5.9%
ROCE	14.2%	22.9%

Consolidated Income Statement and Balance Sheet — Key Figures

(€ million)	9M 2015	9M 2016	Chg.
Revenues	2,533	3,339	*+31.8%*
Underlying EBIT pre-Adwen (1)	206	340	*+64.9%*
Underlying EBIT pre-Adwen/Revenues (%)	8.1%	10.2%	*+2.0pp*
EBIT	235	340	*+39.6%*
EBIT/Revenues (%)	9.3%	10.2%	*+0,9pp*
Underlying Profit (Loss) pre-Adwen (1)	122	225	*+83.6%*
Profit (Loss)	126	206	*+63.3%*
NFD	70	-167	*-236*
Working capital	365	253	*-112*
Capex	91	148	*+57*

(1) The 50% stake in Adwen is carried by the equity method. The recurring pre-Adwen figures eliminate both the impact of Adwen consolidation and the impact of non recurring items. In 2016 there not non-recurring items. in the table above exclude Adwen and also exclude the impact of non-recurring items. In 2016 there are no non-recurring impacts. The impact of Adwen in 9M 2015 amounts to €29mn at EBIT level due to the capital gains (€29mn gross and €21mn net of taxes) on the back of the JV creation and operating losses coming from the equity consolidation (-17 mn at NP level). The net impact at NP level amounted to €4 million in 9M 2015. In 2016 there is no impact from Adwen at EBIT level and €17mn in losses from the consolidation of the operations at net profit level.

In the first half of 2016, in line with the modular capex strategy presented in the business plan 2015-17, Gamesa invested €148 million in property, plant and equipment and intangible assets to cater for expected demand growth, new product launches and operation and maintenance services. In addition to R&D expenditure, Gamesa invested in logistics, tooling, and blade capacity—both new capacity and product replacement due to the introduction and strong penetration by the G114 (2 MW and 2.5 MW) and G126 (2.5 MW) generators—in all regions where it operates.

Outlook

Favourable long-term demand prospects leveraged on wind's greater competitiveness[14] and progress with renewable commitments.

As set out in the June 2016 Activity Report, the transformation and de-carbonisation of electricity systems appears inexorable, even in a context of cheaper traditional fossil fuels (coal and gas). By 2040, it is estimated[14] that **"clean" (i.e. zero GHG) energy sources will account for 60% of total installed capacity**, up from 31% at the end of 2015, most of the new installed capacity being concentrated in developing (non-OECD) countries, with China and India in the lead. In those countries, economic growth and electrification are the main drivers of growth in energy demand and investment in new generating capacity. In the period 2016E-2040E, it is estimated that **1,825 GW of wind capacity will be installed, i.e. investment totalling 3 trillion**.

This growth by renewable sources will be supported by energy policies aimed at containing CO2 emissions and assuring energy supplies through reliance on renewable sources, and also by renewables' growing competitiveness.

With regard to **growing government support for renewable energy** , it is important to note the **entry into force**, just one year after its adoption, **of the Paris Agreement** (COP21) to limit the increase in the global average temperature to 2ºC with respect to pre-industrial levels, with efforts being made to achieve an even lower increase: 1.5ºC. On 5 October 2016, the threshold for the entry into force of the Paris Agreement was attained, as 86 countries accounting for at least 55% of total emissions (including the USA, China, India and Brazil) had signed it. **The agreement came into force on 4 November**, 30 days after that threshold was reached. At the date of this report, a total of 103 countries have ratified the agreement. For comparison, the Kyoto Protocol came into force in February 2007, seven years after it was adopted (December 1997).

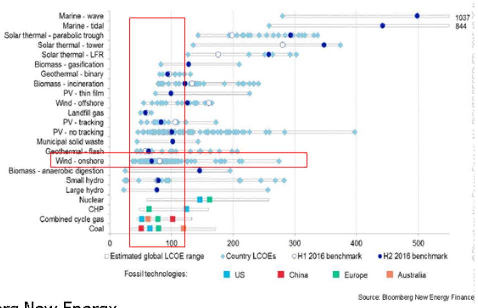
In terms of competitiveness, as detailed in the June[14] report, **by 2027 it is estimated that new wind installations, which are already fully competitive in many countries, will be cheaper than coal- or gas-fired facilities in practically all geographies**, particularly if carbon pricing is introduced, while **by 2040 the cost of energy for onshore wind will have declined by 41%**; that reduction will be due to a number of factors: falling equipment and development costs, low funding costs and, primarily, an increase in wind turbines' capacity factor. The latest data on cost of energy trends[14] reveals a sharp reduction in wind CoE in the second half of 2016. **Among all energies, offshore wind energy achieved the greatest reduction: -22% (H2 16 vs. H1 16).** That decline is **driven mainly by the introduction of competitive auctions as a means of awarding capacity in Denmark and Holland**[15]. The introduction of auctions, specifically in Latin America, is also driving the reduction in **onshore wind, which is down 16% in the same period (H2 16 vs. H1 16)**. Apart from auctions, the improvement in capacity factors in Europe due to the introduction of more efficient turbines is another major driver of the improvement in onshore wind CoE.

The introduction of auctions played a key role in improving wind's competitiveness.

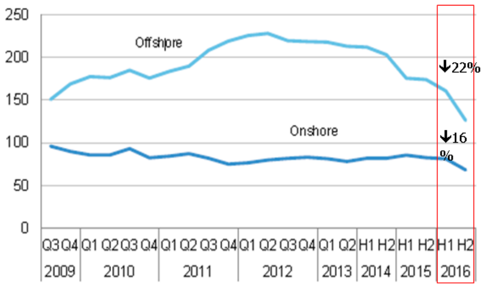
[14] Bloomberg New Energy Finance: "H2 2016 Global LCOE Outlook", October 2016; "New Energy Outlook 2016", June 2016

[15] In The Netherlands, Dong landed the concession to build the Borssele 1 and 2 wind farms with a bid of €72.7/MWh (for the first 15 years, after which the farms will collect the market price), excluding transmission costs. In Denmark, Vattenfall won the near-shore auction for the Vesterhad Syd and Nord wind farms after bidding DKK 0.475/MWh (€60/MWh).

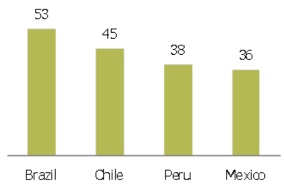
LCOE prospects H2 16 (Bloomberg New Energy Finance/BNEF. USD/MWh)



LCOE prospects H2 16 (Bloomberg New Energy Finance/BNEF. USD/MWh)



Wind power price in LatAm auctions 2016 (BNEF. USD/MWh)



- Offshore tenders in Netherlands and Denmark resulted in prices <100€/MWh

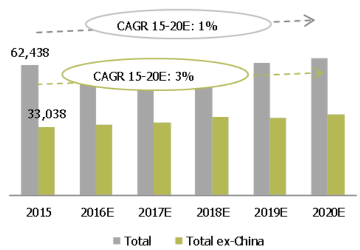
1. Bloomberg New Energy Finance: LCoE comparison in H2 2016 vs. H1 2016

Precisely those two factors — faster-than-expected gains in renewable energy competitiveness (particularly wind), and greater government support (particularly in the US, China, India and Mexico) — are behind the International Energy Agency's decision to increase its projections for new wind installations over the next five years by 13% with respect to the projections it released in 2015.

Positive demand prospects in the short and medium term[16]

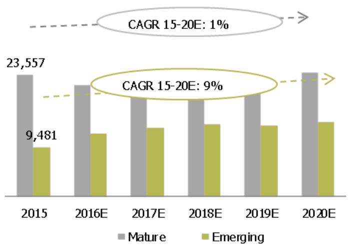
In addition to the favourable long-term outlook for renewable energy, the short- and medium-term prospects are stable with respect to those presented in the first half of 2016. Emerging economies continue to provide the bulk of growth in the short and medium term, with estimated annual growth rates of 9% between 2015 and 2020E, while the offshore segment will be another growth driver from 2017 onwards, with compounded annual growth expected in the area of 40%.

Wind installations 2015-2020E (MW)



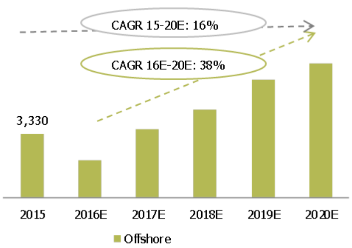
Source: MAKE Q3 2016

Wind installations ex-China 2015-2020E (MW)



Source: MAKE Q3 2016

Offshore wind installations 2015-2020E (MW)



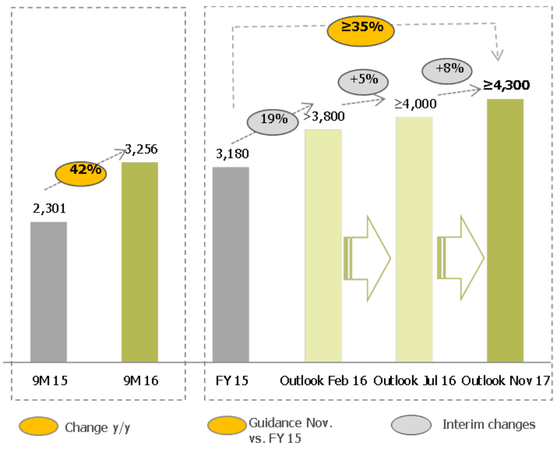
Source: MAKE Q3 2016

Guidance upgraded with better visibility on the value creation objective.

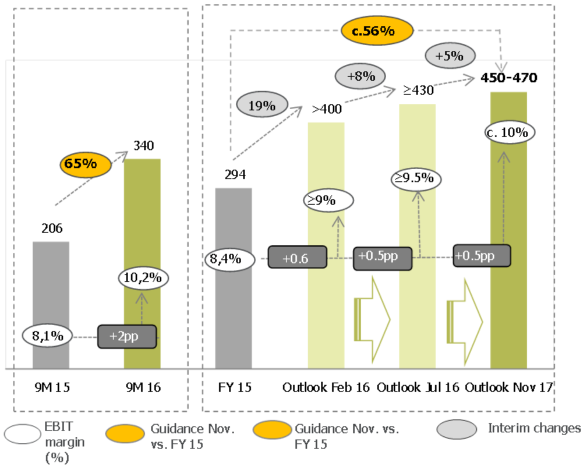
In this positive demand situation, Gamesa's performance in the first nine months of 2016 in terms of both order intake and profitability supports an upgrade to the 2016 guidance issued in July to an activity volume ≥ 4,300 MWe and an underlying EBIT range of €450-470mn (EBIT margin of 10%).

[16] Source: MAKE (Q3/2016 Global Wind Power Market Outlook Update)

Sales volume and guidance (MWe)



EBIT and EBIT margin performance and guidance (€mn/%)



Progress with the long-term value-creation strategy through the approval of the merger between Gamesa and Siemens Wind Power by the Gamesa Shareholders' Meeting.

After achieving its most immediate value creation targets in the first nine months of the year, Gamesa continues to advance with its strategy to create value beyond the current year and with the business plan 2015-2017E, through the agreement to merge with Siemens Wind Power. At an Extraordinary Meeting on 25 October, the shareholders of Gamesa voted in favour of the merger (99.75% of capital present or represented). At the date of drafting this report, the merger had also been cleared by the competition authorities in China, India and Brazil.

In the framework of the merger agreement, Areva exercised its put option on its 50% stake in Adwen in September. As already agreed, the strike price will be €60mn, payable upon closure, which is expected in January 2016. The German competition authorities cleared this deal in October. Adwen has 630 MW in offshore wind farms under maintenance and is currently building a 350 MW wind farm in Germany (Wikinger). The company also has two product lines in the 5 MW and 8 MW categories (the latter under development), and a backlog of 1.5 GW in projects under the French auctions.

The merger agreement will create value for all stakeholders, not just by reaping synergies but also due to the enhanced competitive position in a changing market in which the cost of energy is increasingly important. The merged group will be larger, with a greater scope and more diverse, a stronger balance sheet and an optimal product portfolio.

TENTATIVE CALENDAR		
Siemens Wind Power carve out commences/Carve out	May 2016	✓
Signature of carve out	3Q 2016	✓
Gamesa AGM	October 2016	✓
Authorisation by CNMV and competition authorities[1]	Q4 16/Q1 17	
End of *carve out*	Q4 16 /Q1 17	
Merger takes effect	End Q1 2017	
Payment of the cash component[2]	12 business days after the merger	

(1) At closing of this report the Anti.Trust authorities of Brazil, China and India had already apporved the merger agreement.

Conclusions

In a situation of stable demand, Gamesa reported strong earnings in the first 9 months of 2016, with record order intake, revenues and profitability. This outperformance, ahead of expectation at the beginning of the year and in july, supports a new **increase in the guidance for 2016**. **Guidance for activity volume has been upgraded to at least 4,300 MW (8% more than the previous projection), and for EBIT to a range between €450 million and €470 million (c.5% over the previous guidance), with a projected EBIT margin of around 10% (0.5 points higher).**

The company's sound competitive position, which is focused on growth, enabled it to end the first 9 months of 2016 with a **16% year-on-year increase in order intake, to 3,301MW in 9M 2016**, **and 4,343 MW in the last twelve months,** exceeding the guidance of 4 GW for the year. The **order book at the end of September 2016 stood at 3,242 MW, 7% more than a year earlier.**

Revenues amounted to €3,339 million, i.e. 32% higher than in the first half of 2015, with an underlying EBIT margin of 10.2%[17], i.e. 2 percentage points higher than in 2015. In absolute terms, underlying EBIT amounted to €340 million, 65% more than in 9M 2015[22], **while net profit excluding Adwen increased 1,8-fold to €225 million[18].**

In this context of strong growth of activity and revenues, Gamesa continues to prioritise a sound balance sheet by controlling both working capital and capex. Gamesa reduced working capital by €112 million year-on-year and improved the working capital/revenues ratio by 5 percentage points, to 5.9%. This reduction in working capital, together with greater capacity to generate operating cash flow and capex planning tied to growth, **enabled Gamesa to end the first half of 2016 with a net cash position of €167 million**.

The company is also advancing with its long-term strategy through the agreement to merge with Siemens Wind Power; this transaction is expected tol be completed by the end of Q1 2017. During the month of October, Gamesa shareholders gathered in an Extraordinary General Meeting ratified the agreement, with 99.75% of the present and represented capital in favour. With this agreement, Gamesa enhances the visibility and sustainability of its value creation proposal to all its stakeholders for the medium and long term.

[17] Excluding the €29 million impact on EBIT in Q1 2015 (no impact in the remainder of 2015).
[18] Excluding the impact of Adwen on net profit: €4 million in 9M 2015 and -€18 million in 9M 2016.

Annex

Financial Statements January-September 2016[19]

Gamesa Corporación Tecnológica - Consolidated

Profit and Loss Account - €'000	**9M 2015**	**9M 2016**
Turnover	2,532,828	3,338,803
+/- Variation in inventories of finished products and WIP	28,932	140,180
Consumption	-1,745,258	-2,413,375
Other operating revenues	3,481	4,464
Work performed on own assets	38,137	43,858
Personnel expenses	-252,639	-296,022
Other operating expenses	-252,126	-297,591
EBITDA	**353,354**	**520,317**
Depreciation and amortisation	-73,400	-91,192
Provisions	-74,728	-88,634
Gains (losses) on disposal of non-current assets	30,250	-329
EBIT	**235,475**[20]	**340,162**[21]
Financial revenues	13,670	19,734
Financial expenses	-37,979	-39,613
Exchange differences (profit/loss)	-8,075	-10,816
Equity-accounted affiliates	-17,797	-15,078
EBT	**185,294**	**294,390**
Taxes	-56,648	-85,395
Income after taxes (continuing operations)	**128,647**	**208,995**
Income for the period from discontinued operations	-2,049	-1,794
Outside shareholders	179	-811
Income attributable to the controlling company	**126,418**[20]	**206,390**[21]

[19] Non-audited figures
[20] Pre-Adwen figures: EBIT 206,312, equity accounted -778 and income attributable to the controlling companyt 124,440 (amount–'000 €).
[21] Pre-Adwen figures: EBIT 340,162, equity accounted 3,334 and income attributable to the controlling companyt 224,802 (amount–'000 €).

Balance Sheet - €'000	9M 2015	9M 2016
Goodwill	388,400	388,166
Operational fixed assets, net	454,479	548,909
Non-current financial assets, net	269,991	248,001
Deferred taxes	386,511	403,122
Inventories	741,988	911,415
Customer and other accounts receivable	1,518,053	1,396,314
Receivable from public authorities	265,887	269,045
Current financial assets	36,906	66,496
Cash and cash equivalents	561,004	806,084
Assets held for sale and discontinued operations	32,916	26,555
Total assets	**4,656,135**	**5,064,107**
Capital and reserves	1,461,073	1,660,248
Non-current provisions and deferred revenues	261,449	265,631
Non-current financial debt	444,214	446,977
Other non-current financial liabilities	51,665	81,631[22]
Deferred tax liabilities	86,587	100,928
Current bank loans	184,121	175,371
Trade and other accounts payable	1,946,762	2,114,918
Payable to public authorities	127,305	116,152
Other current liabilities	90,812	101,489
Liabilities associated with assets held for sale	2,146	762
Total liabilities	**4,656,135**	**5,064,107**

[22] It includes other current financial liabilities amounting to €33mn in 9M 16 an € 5mn in 9M 15.

Cash flow statement - €'000	9M 2016
Profit (including discontinued activities)	206,390
+ Depreciation and amortization	91,192
+ Provisions	88,634
- Operating provisions	-69,396
- Non-recurring income	18,412
Gross operating cash flow	**335,232**
- Non-recurring provisions	-16,019
- Variation in working capital	-241,485
- Others	-22,213
Operating cash flow	**55,515**
- Investments	-147,505
Cash flow for the period	**-91,990**
- Variation in treasury stock	-140
- Dividends paid	-42,554
Variation in net financing cash flow	**-134,684**
Beginning net financial debt (cash)	-301,194
Ending net financial debt (cash)	-166,510

Glossary fo economic and financial terms

Refer to the Spanish version of the Activity Report for the reconciliation of the activity report and presentation figures to the figures financial statements

Contribution margin: The contribution Margin (CM) is the difference between revenues and variable costs. EBIT is obtained by deducting the fixed costs, structure costs (SG&A - "Selling, General and Administration Expense") and depreciation and impairments from the contribution margin. The contribution margin analysis allows determine break-even point, it is the activity volume where the contribution margin offsets the fix costs. Contribution Margin is usually presented as a ratio linked to sales, considering as sales the revenues from Financial Statements (total or by segments, as appropriate).

Reported EBIT (Earnings before Interest and Taxes): operating profit before income from equity-accounted affiliates, net financial results including exchange gains/losses, taxes and income from discontinued operations/available-for-sale assets and non-controlling interests.
Underlying EBIT (Earnings Before Interest and Taxes): Reported EBIT excluding the impact of special items that are non-recurring or fall outside the normal course of business (i.e. unusual or unlikely to recur).

Reported EBIT margin: ratio obtained by dividing reported EBIT by revenues in the period (i.e. turnover in the consolidated profit and loss account).
Underlying EBIT margin: ratio obtained by dividing underlying EBIT by revenues in the period (i.e. turnover in the consolidated profit and loss account).

Reported net profit: consolidated profit for the year attributable to the parent.

Underlying net profit: reported net profit excluding the net (after-tax) impact of non-recurring items

Underlying net profit per share (EPS): the result of dividing underlying net profit by the average number of shares outstanding in the period (excluding treasury shares).

Pre-Adwen figures: in its presentations to the financial markets, in addition to underlying and reported figures from the profit and loss account, Gamesa reports pre-Adwen figures, which exclude Adwen as an equity-accounted item Since it is carried by the equity method, Adwen affects the group figures below the EBIT line; consequently, EBIT pre-Adwen and reported EBIT refer to the same amount, except in 2015. In 2015, reported EBIT included €29mn of capital gains from creating Adwen that were not included in EBIT pre-Adwen or in underlying EBIT as it is an item that will not recur in the future. Therefore, in 2015, EBIT pre-Adwen matches underlying EBIT but not reported EBIT.
Net financial debt/(cash): gross interest-bearing debt (i.e. interest-bearing debt, both current and non-current plus other current and non-current liabilities that are classified as financial liabilities, plus liability financial derivatives) LESS cash and cash equivalents, financial derivatives and other current financial assets.

Working capital: capital invested in working assets net of net working liabilities required for the ordinary course of business. It is calculated as the difference between current assets and current liabilities, excluding any item that is classified as net financial debt (e.g. cash and cash equivalents). Working capital is the sum of: inventories, trade and other accounts receivable (including related companies), due from public authorities and other non-financial current accounts receivable, LESS: trade and other accounts payable (including related companies), due to public authorities, and other non-financial current liabilities.

Working capital/revenues: ratio calculated as working capital at any given date divided by the revenues in the twelve months prior to that date.

Capital Expenditure (Capex): investments made during the period in productive fixed assets (tangible and intangible) in order to generate future profits (and maintain the capacity to generate current capacity, in the case of maintenance capex). The amount of capital expenditure matches the items "Investments in intangible assets" and "Investments in property, plant and equipment" in the Statement of cash flows.

Gross operating cash flow: amount of cash generated by the company's ordinary operations, excluding working capital and capital expenditure (capex). Gamesa reports the flow of net financial expenses under gross operating cash flow. Gross operating cash flow is obtained by adding, to reported income for the period, the ordinary non-cash items (depreciation and amortisation, and ordinary over-provisions) and non-recurring or special items (whether or not they have a cash impact).

Net operating cash flow: the result of deducting working capital from gross operating cash flow. Gamesa reports the cash impact of non-recurring items (non-recurring provisions or non-recurring income with a cash impact) under operating cash flow.

Free cash flow: obtained by deducting capital expenditure (capex) from operating cash flow. It indicates the funds available for use to distribute dividends, buy back shares, pay down debt or other corporate activities not related to the day-to-day business.

Return On Capital Employed (ROCE): ROCE is a measure of profitability and efficiency on capital invested (equity and debt) that assesses the operating assets' capacity to generate profits. ROCE is calculated as EBIT in the period, net of taxes, divided by average capital employed in the period. Capital employed is defined as net equity plus net financial debt; the average is calculated as the arithmetic mean of capital employed at the beginning of the year and the end of the period. The tax rate in the period is the average rate estimated for the period in which ROCE is measured. ROCE is calculated for 12-month periods: for interim periods that do not amount to a full year, the EBIT net of taxes in the last twelve months is divided by average capital employed in that period. In order for ROCE to be the best representation of operating assets' capacity to generate profit, underlying EBIT is used, eliminating any special items that are not expected to recur in the future.

OTHER INDICATORS:

Coverage of WTG sales volume: the sales coverage ratio expresses the likelihood of achieving the WTG sales volume targets set by the company for a given year. It is calculated as orders received in the period (in MW) for activity/sale in a given year, divided by the activity/sales guidance for that year. Where the commitment is expressed as a range, the mid-point of the range is used. Where the commitment is expressed as a minimum volume, the ratio is calculated using that minimum volume.

Book-to-bill: ratio of order intake (in MW) to activity/sales in the same period (MWe). The Book-to-bill ratio gives an indication of the future trend in sales volume.

MWe: an indicator of activity (a physical unit of sale) used to measure wind turbine generator manufacture in terms of work in progress. Manufacturing begins to be accounted for with the production of the nacelle, followed by the rotor and tower, up until a unit of manufacturing (MWe) is completed. The MWe indicator does not reflect post-manufacturing processes (civil engineering, installation, commissioning, etc.), which also generate monetary revenues.

Average Selling Price (ASP): average monetary revenue collected by the Wind Turbine division per unit sold (measured in MWe). ASP is affected by a number of factors (project scope, geographical distribution, product, exchange rate, prices, etc.) and does not represent the level or trend of profitability.

Cost of energy (LCOE/COE): the cost of converting a source of energy, e.g. wind, into electricity, measured in monetary units per MWh. It is calculated taking account of all costs incurred during the asset's life cycle (including construction, finance, fuel, operation and maintenance, taxes and incentives), divided by the total output expected from the asset during its useful life.

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